

revisions by a memorandum dated March 10, 1995, entitled "1995 Revisions of DTC Service Fees." Because participants have supported cost-based fees in the past and because overall the subject fee changes are modest, DTC believes that a formal period for participant comment was not necessary this year.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) ⁶ of the Act and Rule 19b-4(e)(2) ⁷ thereunder because the rule change establishes or changes a due, fee, or other charge. At any time within sixty days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the File No. SR-DTC-95-08 and should be submitted by June 14, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35724; File No. SR-CSE-95-04]

Self-Regulatory Organizations; The Cincinnati Stock Exchange Incorporated; Order Approving Proposed Rule Change Relating to Implementation of a Three-Day Settlement Standard

May 17, 1995.

On April 4, 1995, The Cincinnati Stock Exchange Incorporated ("CSE") filed a proposed rule change (File No. SR-CSE-95-04) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on April 17, 1995, to solicit comments from interested persons.² The Commission did not receive any comments. As discussed below, this order approves the proposed rule change.

I. Description

In October 1993, the Commission adopted Rule 15c6-1 under the Act which will become effective June 7, 1995.³ The rule establishes three business days after the trade date ("T+3"), instead of five business days ("T+5"), as the standard settlement cycle for most securities transactions. Several of the CSE's rules are interrelated with the standard settlement time frame. The purpose of the proposed rule change is to amend CSE's rules in order that they are consistent with a T+3 settlement standard for securities transactions.

The following changes to CSE rules are needed to implement the new settlement standard established by Rule 15c6-1. Rule 3.8(b)(1)(iii) will require that members receive reasonable assurance from the customer that a security will be delivered within three business days of the execution of the order. Rule 3.8(b)(2) will require that members note on order tickets that the customer has the ability to deliver stock within three business days. Rule 11.4 will provide that transactions in stocks (other than those made for "cash") shall be "ex-dividend" or "ex-rights" on the second business day preceding the record date fixed by the company or the date of the closing of transfer books except when the Board of Trustees of CSE rules otherwise. When the record

date or closing of transfer books occur upon a day other than a business day, transactions in stocks shall be "ex-dividend" or "ex-rights" on the third preceding business day.

CSE has requested that the proposed rule change become effective on the same date as Rule 15c6-1, which will be June 7, 1995. The transition from five day settlement to three day settlement will occur over a four day period.⁴

II. Discussion

The Commission believes the proposal is consistent with the requirements of Section 6 of the Act.⁵ Specifically, Section 6(b)(5) states that the rules of the exchange must be designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information. On June 7, 1995, the new settlement cycle of T+3 will be established, as mandated by the Commission's Rule 15c6-1. As a result, the CSE's current rules based on a T+5 settlement cycle will be inconsistent with this rule. This proposal will amend the CSE's rules to harmonize them with the Commission Rule 15c6-1 and with a T+3 settlement cycle.

In addition, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act in that it protects investors and the public interest by reducing the risk to clearing corporations, their members, and public investors which is inherent in settling securities transactions. The reduction of the time period for settlement of most securities transactions will correspondingly decrease the number of unsettled trades in the clearance and settlement system at any given time. Thus fewer unsettled trades will be subject to credit and market risk.⁶

IV. Conclusion

For the reasons stated above, the Commission finds that CSE's proposal is consistent with Section 6 of the Act.⁷

⁴ Friday, June 2, will be the last trading day with five business day settlement. Monday, June 5, and Tuesday, June 6, will be trading days with four business day settlement. Wednesday, June 7, will be the first trading day with three business day settlement. As a result, trades from June 2 and June 5 will settle on Friday, June 9. Trades from June 6 and June 7 will settle on Monday, June 12.

⁵ 15 U.S.C. 78f (1988).

⁶ The release adopting Commission Rule 15c6-1 stated, "[T]he value of securities positions can change suddenly causing a market participant to default on unsettled positions. Because the markets are interwoven through common members, default at one clearing corporation or by a major market participant or end-user could trigger additional failures resulting in risk to the national clearance and settlement system." Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891.

⁷ 15 U.S.C. 78f (1988).

¹ 15 U.S.C. 78s(b) (1988).

² Securities Exchange Act Release No. 35580 (April 7, 1995), 60 FR 19312.

³ Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (adopting Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).

⁶ 15 U.S.C. 78s(b)(3)(A)(ii) (1988).

⁷ 17 CFR 240.19b-4(e)(2) (1994).

⁸ 17 CFR 200.30-3(a)(12) (1994).

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (File No. SR-CSE-95-04) be and hereby is approved, effective June 7, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35732; File No. SR-NASD-94-9]

**Self-Regulatory Organizations;
National Association of Securities
Dealers, Inc.; Order Approving
Proposed Rule Change to Provide
Non-member Viewing Access to
SelectNet and that the Transmission of
Broadcast Orders Through SelectNet
be Solely on an Anonymous Basis**

May 18, 1995.

I. Introduction

On January 30, 1995, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The NASD seeks to amend SelectNet in two ways: (a) to provide real-time access to non-members to view all "broadcast" orders in SelectNet; and (b) to provide that the transmission of broadcast orders through SelectNet be solely on an anonymous basis.

Notice of the proposed rule change appeared in the **Federal Register** on April 28, 1994³ and March 7, 1995.⁴ The Commission received letters from four commenters in response to the NASD's proposal. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Background

Originally referred to as the Order Confirmation Transaction Service ("OCT") and approved by the Commission in January 1988,⁵ the

NASD developed SelectNet in response to the difficulties experienced in the Nasdaq market during the market break of October 1987. SelectNet is an electronic screen-based order routing system allowing market makers and order-entry firms (collectively referred to as "participants") to negotiate securities transactions in Nasdaq securities through computer communications rather than relying on the telephone.

To enter an order in SelectNet, a participant enters the normal trade information: security symbol, side (buy or sell), transaction size, and price. Participants may enter orders priced at, above or below the inside bid or ask and, thus, SelectNet offers the opportunity to negotiate for a price superior to the current inside quote. In addition, participants may provide that an order or counter-offer will be in effect for anywhere from 3 to 99 minutes, specify a day order, or indicate whether price or size are negotiable or whether a specific minimum quantity is acceptable. Participants may accept, counter, or decline a SelectNet order. In the event that a participant elects to counter an offer, the service allows negotiations to be conducted between the participants by exchanging counter-offers until an agreement is reached. Once agreement is reached, the execution is "locked-in" and reported to the tape.

Through SelectNet, participants may either direct an order to a particular market maker in the security, broadcast to all market makers in the security, or broadcast to all participants watching a particular security (a feature known as "all call"). The participants then may negotiate the terms of the order through counter-offers entered into the system. SelectNet's default setting provides anonymity for broadcast orders. However, a participant currently entering a broadcast order may elect to identify itself. After an anonymous broadcast order is executed, each participant to the transaction learns the identity of the other. In contrast, directed orders always display to the receiving participant the identity of the participant entering the order.

III. Description of the Rule Change

The NASD seeks to modify SelectNet in two ways. First, it proposes to permit

approving SelectNet, previously referred to as the Order Confirmation Transaction Service, on a temporary, accelerated basis). See also, Securities Exchange Act Release No. 25523 (Mar. 28, 1988), 53 FR 10965 (Apr. 4, 1988) (order extending temporary approval of SelectNet); Securities Exchange Act Release No. 25690 (May 11, 1988), 53 FR 17523 (May 17, 1988) (order granting permanent approval of SelectNet).

non-member viewing access to orders broadcast through SelectNet. Second, the NASD proposes to require that broadcast orders be entered on an anonymous basis only.

A. Non-member Viewing Access to Broadcast Orders

Under the NASD's proposal, non-members will be permitted to view on a real-time basis all orders broadcast through SelectNet. Specifically, non-members will be able to view all unexecuted broadcast SelectNet orders, including the security name, the side of the order (buy or sell), the quantity available, the order price, the original size of the order, the outstanding portion, and the duration of the order (from 3 to 99 minutes or all day). The NASD will provide this information via the Level 2 Nasdaq Workstation service, to which non-members may subscribe. In addition, the NASD will provide a data feed of the broadcast SelectNet information to data vendors who in turn may provide the information to non-members. Under either alternative, dissemination of SelectNet information will be provided on a real-time basis.

Non-members, however, will not be permitted to interact through SelectNet with the order or be provided access to orders directed from one participant to another. Moreover, because the NASD's proposal will restrict all broadcast orders to an anonymous basis, neither members nor non-members will be able to determine the identity of the participant entering a broadcast order.

B. All Broadcast Orders will be on an Anonymous Basis

As currently configured, SelectNet allows a participant broadcasting an order to elect either to identify itself or to send the order anonymously. Under this proposal, however, participants will be limited to entering broadcast orders on an anonymous basis.⁶ If two firms begin negotiating the terms of a broadcast order, however, the participant that entered the order may choose to identify itself to the contra side.

IV. Comments

As noted above, the Commission received letters from four commenters in response to the proposal. Three of the commenters addressed the proposal to provide non-member viewing access, with one of these commenters supporting the proposal and the other two opposing it; the fourth commenter

⁶In contrast, directed orders will continue to identify the participant transmitting an order to another participant.

⁸ 15 U.S.C. 78s(b)(2) (1988).

⁹ 17 CFR 200.30(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ Securities Exchange Act Release No. 33938 (Apr. 20, 1994), 59 FR 22033 (Apr. 28, 1994) (notice of original proposal and Amendment No. 1).

⁴ Securities Exchange Act Release No. 35428 (Feb. 28, 1995), 60 FR 12583 (Mar. 7, 1995) (notice of Amendment No. 2).

⁵ Securities Exchange Act Release No. 25263 (Jan. 11, 1988), 53 FR 1430 (Jan. 19, 1988) (order